



Health Services
LOS ANGELES COUNTY

June 12, 2007

Los Angeles County
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The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF REPLACEMENT AGREEMENT WITH
BLUE CROSS OF CALIFORNIA AND AMENDMENT NO. 1 TO
AGREEMENT NO. H-213078 WITH CARE 1ST HEALTH PLAN
(All Districts) (3 Votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Health Services, or his designee, to execute a Replacement Agreement, substantially similar to Exhibit I, with Blue Cross of California, under which the Department of Health Services will provide hospital and professional emergency, inpatient and outpatient services to Blue Cross Medi-Cal and Healthy Families Members at Department of Health Services' facilities, effective July 1, 2007 through December 31, 2008, with automatic annual renewals for three years through December 31, 2011, upon written mutual agreement by both parties.
2. Approve and instruct the Director of Health Services, or his designee to:
 - a) execute Amendment No. 1 to Agreement H-213078, substantially similar to Exhibit II, with Care 1st Health Plan for the continued provision of hospital and professional inpatient and outpatient services to Care 1st Medi-Cal Members by Department of Health Services facilities, effective July 1, 2007, on a month-to-month basis not to exceed six months, through December 31, 2007, and b) delegate authority to the Director to negotiate and execute a Replacement Agreement effective the first day of the month following the date of successful contract negotiations by both parties through September 30, 2008; with automatic annual renewals for four years through September 30, 2012, upon written mutual agreement by both parties.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS:

In approving the above actions, the Board is ensuring the continued provision of health care services by Department of Health Services' (DHS or Department) facilities at fee-for-service rates to Blue Cross Medi-Cal and Healthy Families Members and Care 1st Medi-Cal Members.

Implementation of Strategic Plan Goals

The above actions meet the County's Strategic Plan Goals of Fiscal Responsibility and Organizational Effectiveness by increasing the utilization of DHS facilities and thereby increasing revenue to DHS.

FISCAL IMPACT/FINANCING:

There is no net cost to the Department for these actions because the Replacement and Amendment Agreements will provide DHS with reimbursement at fee-for-service rates from Blue Cross and Care 1st. The reimbursement rates are on file with DHS and kept confidential in accordance with Health and Safety Code Section 1457.

The amount of revenue the Department will generate from these Agreements cannot be determined at this time because it depends on the number of Blue Cross and Care 1st patients actually being served by DHS facilities. During Fiscal Year (FY) 2005-2006, DHS facilities collected approximately \$4.3 and \$2.5 million under the existing Agreements with Blue Cross and Care 1st, respectively, for various dates of service.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Amendment and Replacement Agreements will allow access by Blue Cross Medi-Cal and Healthy Families Members and Care 1st Medi-Cal Members to DHS facilities for primary, specialty, inpatient, and emergency care. Such care provided is subject to County Code Section 2.76.130, Priority of Admissions.

Blue Cross of California

On July 17, 2001, the Board approved Agreement No. H-212817 with Blue Cross for the provision of hospital and professional inpatient and outpatient services to its Medi-Cal and Healthy Families Members. On subsequent occasions, the Board approved Amendments to extend the Agreement through June 30, 2007. The Department intends to enter into a Replacement Agreement with Blue Cross effective July 1, 2007 through December 31, 2008, with automatic renewals for three years through December 31, 2011, upon written mutual agreement by both parties.

Care 1st Health Plan

On October 2, 2001, the Board approved Agreement No. H-213078 with Care 1st effective upon Board approval and continued thereafter with automatic renewals through June 30, 2007.

DHS and Care 1st are continuing to negotiate the terms for the Replacement Agreement. Due to the protracted negotiations between DHS and Care 1st, the Department intends to extend the current Agreement effective July 1, 2007, on a month-to-month basis not to exceed six months, through December 31, 2007, to allow both parties to fully complete their negotiations and execute a Replacement Agreement, which shall be effective the first day of the month following the date of successful negotiations by both parties through September 30, 2008, with automatic annual renewals for four years through September 30, 2012, upon mutual written agreement by both parties.

As with the existing Agreements, the Replacement and Amendment Agreements for Blue Cross and Care 1st will comply with all applicable State laws and regulations.

Attachment A provides additional information.

CONTRACTING PROCESS:

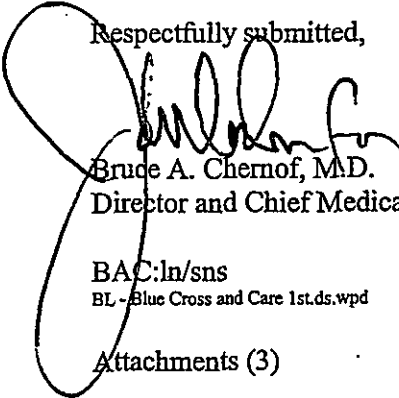
DHS facilities are the service providers under these Agreements, so it is not appropriate to advertise the Replacement and Amendment Agreements on the Los Angeles County Online Website.

IMPACT ON CURRENT SERVICES OR PROJECTS:

Approval of the Replacement and Amendment Agreements will maximize revenue to DHS for Blue Cross Medi-Cal and Healthy Families Members and Care 1st Medi-Cal Members who utilize DHS facilities.

When approved, the Department requires three signed copies of the Board's action.

Respectfully submitted,



Bruce A. Chernof, M.D.
Director and Chief Medical Officer

BAC:ln/sns
BL - Blue Cross and Care 1st.ds.wpd

Attachments (3)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

SUMMARY OF AGREEMENTS

1. TYPE OF SERVICE:

The Agreements allow Blue Cross Medi-Cal and Healthy Families Members and Care 1st Medi-Cal Members access to Department of Health Services' facilities for the provision of primary, specialty, inpatient, and emergency care at fee-for-service rates.

2. AGENCY NAMES AND CONTACT PERSONS:

Blue Cross of California
21555 Oxnard Street, Suite 12D
Los Angeles, California 90013
Attention: Dennis McKaig, Contracts Manager
Telephone: (818) 234-3291
Facsimile (FAX): (818) 383-1705

Care 1st Health Plan
1000 S. Fremont Avenue, Bldg. A-11
Alhambra, California 91803
Attention: Chief Executive Officer
Telephone: (626) 299-4299

3. TERM:

Blue Cross of California – The term of the Replacement Agreement is effective July 1, 2007 through December 31, 2008, with automatic annual renewals for three years through December 31, 2011, upon mutual agreement by both parties.

Care 1st Health Plan – The term of the Amendment is effective July 1, 2007, on a month-to-month not to exceed six months, through December 31, 2007. The Replacement Agreement will be effective the first day of the month following the date of successful contract negotiations by both parties with automatic annual renewals for four years through September 30, 2012, upon written mutual agreement by both parties.

4. FINANCIAL INFORMATION:

DHS will be reimbursed on a fee-for-service basis.

5. GEOGRAPHIC AREAS SERVED:

Countywide.

6. ACCOUNTABLE FOR MONITORING AND EVALUATION:

DHS Facility Administrators

7. APPROVALS:

Office of Managed Care: Teri Lauenstein, Director

Contracts and Grants: Cara O'Neill, Chief

County Counsel: Robert E. Ragland, Senior Deputy County Counsel